

Ethical Beliefs and Practices in Hotel Industry for Value Creation

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Abstract *The new millennium has given way to the growth of knowledge based, seamless global Society, characterized by constant rapid change quite difficult for an average mind to even gauge. In the new millennium it has become imperative for businesses throughout the world to conduct business ethically, in order to survive, grow and thrive. Ethical practices contribute to an organization's productivity by minimizing losses, creating trust with suppliers, establishing customer loyalty and maintaining a successful team of employees. This research paper through an empirical study, has attempted to discuss the various components, the parameters and its effects on business and the customers wholly. These components have been brought out based on discussions with top management of various Hotels and Resorts in Bangalore. The methodology adopted is personal Interviews and discussions.*

It is found that, the hotel and resorts who have who have seriously focused on ethical responsibility have experienced improvement in share value, client retention, and attraction of new clients, investors, and employees. In addition they experience a lowered risk of compliance violations and better financial performance for the organization.

Keywords: *Hotel, Ethics, Management, Value*

The new millennium has given way to the growth of knowledge based, seamless global Society, characterized by constant rapid change quite difficult for an average mind to even gauge. The Indian economy too is in transition from government control and stagnation to one of free market economy, competition and innovation. Businesses are going beyond just profit based growth and motivation to a way that works for all, the people, the planet and the profits. In 1999, the UN World Tourism Organization (UNWTO) devised and adopted a global code of ethics for tourism, designed to minimize the negative effects of tourism activity on destinations and local communities, which was officially recognized by the UN in 2001.

The last two decades of the 20th Century, Business throughout the world has been rocked by scams and other unethical behaviors. People began to realize the damage such a conduct could have on the image of the respective products/services & countries. Acceptability of products/services of the concerned companies and their credentials were at stake. This resulted into a greater demand for ethics and values in conducting business. Over the last few years, hotel companies have made a determined effort to deal with the impact their business activities have on the environment, particularly by measuring and reducing their carbon and water footprints. Both major international hospitality companies and small businesses recognise that there are tangible benefits in

doing this, including real efficiency gains and an improved corporate reputation.

At the same time, globalization and the development in information technology has given Business Ethics an international perspective. Availability of abundant information to the stakeholders through effective media penetration, increased competition in the market, awareness on environmental and social aspects have all tied the hands of businesses to consider anything unethical. Now, it is the society which decides which company is triumphant in the market, and the moment a company makes any mistakes, it sets a perfect launch pad for the competitors to take on the market share. It is these and other new demands from the market which makes businesses worldwide to relook and make swift changes in its policies. Any company which is slow or not able to face these issues, are subjected to increased disparagement. This is one of the many reasons why businesses get negative publicity. The growth of media sector, which is all pervading, is like an icing on the cake in escalating issues which are unethical. The media hype of the Organization scandals happening world over takes away the people's faith in business. Precisely why, Porter (2003) stated in the European Business Forum that Ethics is becoming an important field of Business. Companies that have balked at allegations have faced major embarrassments & losses, whereas companies that have fearlessly owned responsibility in a forthright manner have benefitted immensely in the long run, Devaki Kutty (2008). As consumers become

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increasingly aware of ethical issues, Corporations have to respond to their concerns whether it is related to social or environmental. So it becomes imperative and important for every business organization to compete and to survive. Errant actions may not come to light immediately, but when they do the downside to the corporation can be its own annihilation, Goran Svensson and Greg Wood (2008). Still we have many companies who do not see the available opportunities in doing business in an ethical manner, which is why we have cases like Unethical package tours, virtual images of hotels that are deceptive.

In the new millennium it has become imperative for businesses throughout the world to conduct business ethically, in order to survive, grow and thrive. The process of globalization have made businesses to evolve into an ethical organizations, else their very survival will be at stake in the seamless global economy. A company with a strong culture creates a positive work environment. The reputation of a business is everything and can provide a competitive edge. Ethical practices contribute to an organization's productivity by minimizing losses, creating trust with suppliers, establishing customer loyalty and maintaining a successful team of employees.

Through an empirical study this research paper attempts to discuss the various components, the parameters and its effects on business and the customers wholly. These components have been brought out based on discussions with top management of various Hotels and Resorts in Bangalore. Their views were collected based on personal Interviews and discussions.

It is the companies who take corporate ethical responsibility seriously usually experience improvement in share value, client retention, and attraction of new clients, investors, and employees. In addition they experience a lowered risk of compliance violations and better financial performance for the organization. At the same time, Organizations that succeed in a broad-based deployment of a code of ethics will create a base for enhanced risk assessment, greater transparency for those responsible for organizational governance, and an increased probability that commitment made in words are truly being fulfilled in practice.

With such a pursuit in mind, ideally everyone in an organization will answer the following questions in a similar manner:

- What values does an organization believe in?
- What principles drive the organization's decision making?
- By what ethical standards does an organization live?
- What beliefs do managers and leaders demonstrate?

That is, the value perspective is unique in that it is the only one that encompasses all aspects of economic, social,

environmental and intellectual elite, such as , sales and growth in market share; customer satisfaction; product liability; Relation with suppliers; Employee productivity and relations; Taxes; Regulatory or judicial actions by government; commitment to lenders; and Return on Invested Capital. For example, The Marriott International re-launched their business ethics awareness programme last year, which provides employees with the tools to identify potential ethical and compliance issues and raise them with the appropriate leaders within the organisation. This includes a new training video for all new hire inductions, plus quarterly bulletins with updates on tools for prevention. The company recently developed human rights and protection of children training for their security officers and all property-based employees, which is being rolled-out across their global operations. (leadlay, 2011)

Another company with a proactive ethical policy is Shangri-La Hotels and Resorts, a Hong Kong-based hotel group operating globally but with half of its properties in China. They launched a supplier code of conduct in 2009 (now externally audited) and conduct site visits to their top 150 suppliers to check employee wages and conditions, health and safety, management systems and environmental practices; they have a group-wide programme linking hotels with a local school or orphanage for five to 10 years, including providing training in hotel skills. (leadlay, 2011)

At this stage, one underlying issue is?

Is ethics & ethical practices new to Indian Business Environment?

The answer is **“NO”**.

- i) In Bhagvad Gita, Lord Krishna says that a manager must look upon the task that he has been set, or that he sets himself not in terms of personal gain or profit, but purely in terms of its fulfillment and the satisfaction that it gives him.
- ii) In the Aryan ethical code, sons inherited their father's debts along with his Property.
- iii) Artha Shastra lays it down as a duty to keep complete accounts and be audited for their clarity and truth.
- iv) In The Bible: Romans 2:1 state: Therefore you have no excuse, O man, every one of you who judges. For in passing judgment on another you condemn yourself, because you, the judge, practice the very same things
- v) In The Bible: Luke 16:10“One who is faithful in a very little is also faithful in much, and one who is dishonest in a very little is also dishonest in much

Ethics is not a new phenomenon. It has been preached and practiced since the start of civilization. Vedas and Upanishads speak of Karma as the driving force of life and this karma is to be ethical. Upanishads distinguishes between law and ethics – ethics comes from inner desire. In Bhagavad Gita,

Lord Krishna says one must work without expectation. The moment we start thinking of rewards for our action, we lose the value and the ethics of work. Manusmriti Samhita incorporates earliest code of social and legal ethics in India.

Swami Vivekananda suggested fundamental law of ethics, "Do not injure others; love everyone as your own self because the whole universe is one".

Kautilya's Arthashastra is unique in emphasizing the imperative economic growth & welfare of all in the society as well as an organizational set up. He believed that ethical values pave the way to heaven as well as to prosperity on the earth, i.e., have an intrinsic as well as an instrumental value.

The middleages saw Johannes Nider, proposing the trade rules (code of ethical conduct) in his book, *De Contractibus Mercatorum* in 1468. Ethical principles he proposed was goods must be lawful, honorable & useful, price should be just, and seller should beware & speculation was a sin. Nider believed people should conduct business in an ethical manner Reeves & Shuman (1966).

Sri Sri Ravishankar emphasized the importance of application of Dharma for Corporate Excellence (ET awards 2007) and talked of the need for greater spiritualism in all walks of life. These responsibilities oblige corporations to do what is right, just, and fair even when they are not compelled to do so by the legal framework. Unethical consumer practices in the hotel Industry have attracted much attention from business practitioners. The employees too face moral and ethically ambiguous situations. Issues such as misleading information on the website and false virtual images of the ambience and facilities of the hotel. Overcharging and billing for unused services, luring the guest to purchase or spend on unwanted services by extending a flowery picture. Ill-treatment, overbooking, racism, theft, infringement of guest privacy and property, various other unacceptable behavior such as sexual harassment and gender related abuses. Corroll (1999) argues that ethical responsibilities therefore consist of what is generally expected by society over and above economic and legal expectations.

Ethical Perspective in Different Continents

	Europe	United States	Asia
Who is responsible for ethical conduct in business?	Social control by the collective.	The individual.	Top Management.
Who is the key actor in business ethics?	Government, trade unions, corporate associations.	The corporation.	Government, corporations.
What are the key guidelines for ethical behavior?	Negotiated legal framework of business.	Corporate codes of ethics.	Managerial discretion.
What are the key issues in business ethics?	Social issues in organizing the framework of business.	Misconduct and immorality in single decisions situations.	Corporate governance and accountability.
What is the dominant stakeholder management approach?	Formalized multiple stakeholder approach.	Focus on shareholder value.	Implicit multiple stakeholder approach, benign managerialism.

Source: Andrew Crane and Dirk Matten, business ethics, second edition, Oxford University Press, New Delhi, p.32.

WHAT IS ETHICS?

The word ethics comes from the Greek word 'ethos' meaning character or custom. According to Robert C. Solomon (1993), Professor in Philosophy, ethics suggests two basic concerns:

- i) Individual character, including what it means to be "a good person" &
- ii) The social rules that govern and limit our conduct, especially the ultimate rules concerning right and wrong, which we call morality.

Ethics is also defined as the ability to distinguish between right & wrong and act accordingly. Ethics is also defined as

the conception of what is right and fair conduct or behavior (Carroll 1991); MacDonald (2010) defined Ethics as the critical, structured examination of how we should behave – in particular, how we should constrain the pursuit of self interest when our action affect others.

RELATIONSHIP BETWEEN PERSONAL ETHICS & BUSINESS ETHICS:

Business ethics is the study of what constitutes right and wrong, or good and bad, human conduct in a business context. It is the code of conduct that a business adheres to in its daily dealings both with other businesses and with customers. It is

the application of ethical principles and methods of analysis to business. Business ethics is influenced by three factors namely the individual factor, the organizational factors and environmental factors. Ferrel & Fraedrich (1997) defines "Ethical responsibilities as behaviors or activities that are expected of business by society, but not required by laws. MacDonald (2010) defines Business Ethics as the critical, structured examination of how people and institutions should behave in the world of commerce. In particular, it involves examining appropriate constraints on the pursuit of self – interest, or for firms profits, when the actions of individuals or firms affect others.

Ethics in Business means the parameters a company sets for itself in its operations. A Business needs to be open & prompt in its communication to the stakeholders on its dealings on important issues as well as its accounting policies. This helps in developing stakeholder's confidence on the company. Friedman (1962) contended that, there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud.

Revolution comes from bottom to top whereas Evolution proceeds from top to bottom and seeps to the lowest level, said Swami Chinmayananda. So the responsibility of creating an ethical organization lies with its leaders, who should be committed to ethics. Socially responsible managers are needed in an organization to confront new areas of thought, to challenge, to inspire, to mentor, to lead. Some companies are fortunate because these people exist in their midst Goran Svensson and Greg Wood(2008). In all spheres of action, where leadership is involved, whether industry, management, business administration, the motivation should come from within, a sense of commitment to the welfare and prosperity of the society and the nation. It should be we win, they win and everybody win situation Bhattacharya (2001). Executives should, act ethically not out of fear of being caught when doing wrong. Rather, they should embrace ethical behavior in business because of the freedom, self confirmation and success that it brings Thomas et.al. (2004).

An ethical organization that is meaningful and real can only be achieved when the leaders of firms bring changes, Rushton (2002). Organization's ethical conduct and leadership rating enhances its ability to attract quality employees, which ultimately is linked to its success, Strobel et.al. (2010). To quote Mahabharata, good deeds bring happiness and a bad deed brings distress.

Business Ethics guide the managers of an organization in the right path, helps in improving business standing, customer recognition and employee morale. In a global competitive market, where more and more businesses are emerging each day, only those businesses survive which offers something special to their stakeholders. This something special is the

integrity of the company which builds up the brand name of its products Alsante (2005). An A.C. Nielson study on most preferred consumer durables brand in 2007, found that trust and reliability are the two important factors for consumers in choosing a particular brand. Trust and reliability are key elements in Business relationships and it comes up only if Dharmic principles are followed.

Trust, authenticity, a guarantee of quality and of truth, and a belief that the purpose of business is to serve the community and country, not to make money-or at least, not only to make money-these are the principal attributes that the Tata corporate brand confers on many of the other brands of the group. 'Ifits made by Tata, you know you can trust it, 'says one Tata customer, and that goes for cars ,teasalt, mobile phones or consultancy services. In India there is an aura of 'goodness' about these brands that derive directly from the Tata heritage,from the myths of Jamsedji Tata and J.R.D and the legacy of nation-building and the commitment to 'Leadership with trust' that his successors have carried on. (Witzel, 2010)

A business that wants to sustain long and also generate good returns, must first obtain market credibility by building its brand, since brand has more influence on customers decisions. This can only be achieved by following ethical standards, Alsante (2005). Managers who take the route of unethical ways to achieve instant success will be successful only for a short time like Duruyodhana.

American Management Association, Human Resource Institute's, Business Survey 2005 on what is driving business ethics today and after 10 years from today, illustrates the top five reasons to run a business in an ethical manner as, having a big impact on their brands and reputation as well as on customer trust, investor confidence and public acceptance. The survey illustrates that the primary reason of the respondents on why business ethics, is simply because "it's the right thing to do". Ethics is a way of engaging and even galvanizing the workforce, creating more loyalty among customers and increasing shareholder value.

One of the significant success factors for businesses is practicing good business ethics. A business which has ethics as its culture and genuinely practices the same throughout different layers of the company can definitely feel the difference between success and failure. Cragg (2000), "Commerce without conscience is a formula for human exploitation, not human development".

However, one of the greatest problems in achieving ethical compliance is the ability of any organization to actually be aware of what is happening on a day-to-day basis and making ethical compliance a core element of its mainstream governance and accountability framework(Values and Ethics). Because "you cannot manage what you cannot measure".

Evolving one's organization into an 'ethical' organization is much easier said, than done. But it is not impossible.

Against this backdrop, this paper explores the principles, standards and values of Ethical beliefs & practices.

PRINCIPLES

1. **Honesty:** Ensure honesty in record keeping, financial records, business interactions with customers, competitors, vendors and others.
2. **Objectivity:** All accounting information must be independent, and supported with unbiased evidence.
3. **Fairness:** Individual differences must be celebrated and an inclusive environment needs to be created that focuses on mutual respect, diversity, and equal opportunity for workplace advancement.
4. **Responsibility:** Social responsibility to serve greater community and ensure travel and tourism are always a positive force for good in the world.

STANDARDS

1. **Competence:** Maintain a high level of professionalism and quality of products and services.
2. **Integrity:** Abstain from engaging in or supporting any activity that might discredit business principles.
3. **Credibility:** Disclose all information to people concerned.

VALUES

1. **Focus on customers.** For eg. The Leela Palace follows a culture focused on service, accountability and growth for each associate that lays the groundwork for the best guest experiences.

2. **Employee empowerment:** Initiatives like 'Dare to try', by the Tata group in which the employees are rewarded for good ideas that fail to be realized, reinforces the spirit of empowerment.
3. **Continuous improvement.** Like the Double tree by Hilton Focuses on excellent guest and member experience while training staff and working with budgeted guidelines.
4. **Sustainable growth:** ITC believes that its vision and vitality have created a sustainable organization that is future-ready with a growing contribution to creating large scale societal value. ITC's credo of "lets put India first" underlines the philosophy of the organization to put "country before corporation" and the "institution before the Individual". (Arbex, 2013)
5. **Trust and reliability:** The employees of the Tata have learnt that Tata-by and large stands by the promises it makes and certainly will never deliberately go back on its word. A perfect example is Tata's promise to restore the devastated wing of the Taj Mahal, Mumbai.

EFFECTS OF ETHICAL PRACTICES

The more ethical & knowledge intensive the Company is, the greater the M/B Values. His Holiness Pope John Paul II, the Roman Catholic Pontiff, recognized the growing importance of "know-how, technology and skill" in His 1991 Encyclical Centesimus Annus writing:

Where at one time the decisive factor of production was the land, and later capital... today the decisive factor is increasingly man himself, that is, his knowledge.

Illustrated below is a scale that was developed as a result of the discussions and inputs from the heads of the top hotel chains that were selected for the review.

To evolve a business ethically, big or small, involves

Components	Parameters	Effects
Human Capital	<ul style="list-style-type: none"> • Earnings and Pay to Employees-Formula Based • On Job Peer Training-Cells • Multiple Skill Development 	<ul style="list-style-type: none"> • Improved Loyalty • Improved efficiency • New ideas in practice • Environment where people work with ethics and morality.
Process Capital	<ul style="list-style-type: none"> • Material Usage based on standard • Just-in-Time • Focus on activities • Productivity, profit, growth etc., are shared on Notice board. • Financial strength 	<ul style="list-style-type: none"> • Reeducation in Material Consumption • Low inventories • Low cost of production • Sustained growth

Relationship Capital	<ul style="list-style-type: none"> • Efficient Administrative set up • Quality as a norm • Limited credit • Commitment to quality 	<ul style="list-style-type: none"> • Administration expenses-paper less administration. • Respect for suppliers. • Better collection • Reeducation in credit risk • Increased market share
Innovation Capital	<ul style="list-style-type: none"> • Latest technology • Zero term loan • Opportunity to learn, create and adopt • Knowledge sharing • Engineering changes 	<ul style="list-style-type: none"> • Reduction in expenses • Excellent capital mix • Improved research and development activities • Improvement in quality
Commitment Capital	<ul style="list-style-type: none"> • Assumption of social responsibility • Open-door, transparent systems and governance • Environmental obligation 	<ul style="list-style-type: none"> • Improved service to society • Management acts like customer • Enhanced organizational image

tremendous amount of mental and physical strength and commitment of all the people involved at different levels in an organization. Merely having a code of ethics for the company is not enough; effectively implementing the same against all odds ensures success to the business organization and the society where it operates.

BENEFITS TO STAKEHOLDERS

Towards Customers: An appreciation of ethics stems from the realization that one's actions, individually and collectively, have an effect on the world. It is important to bring that awareness into the workplace in a way that serves to create an uplifting atmosphere for customers.

Towards Employees: The aim of the organization must be that their employees move on in life with something more than a job experience, but learn to be more culturally and ethically competent.

Towards Suppliers: All hotels must provide quality products at competitive prices

Towards Government: All public servants need to be guided to be committed to their values and expected behaviors.

Towards Society: Educate the associates, guests and partners to support the environment.

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